The World of YAMAHA

Yamaha Corporate's Global Newsletter

Special Vol.3

January 2000

A Year to Strengthen Our Foundations, as We Move into the 21st Century

New Year's Message 2000
from President **Kazukiyo Ishimura**

To start the year off, one that will be the bridge to the 21st century, we bring you the New Year's Message from President Kazukiyo Ishimura. From this year, you can also view the President's Message via the intranet. An English version of the Public Relations Division's home page, "PRNet," has been launched (http://www.prnet.yamaha.co.jp/english/). We hope you will take a look.

Yamaha Corporation Public Relations Division

Pooling the Collective Energy of the Group to Meet the Challenge of " Building a Revitalized Yamaha "

Effecting Radical Reform

First of all, I would like to wish everyone a Happy New Year. I am especially glad to have the privilege of observing this milestone year, 2000, together with all of you. I also wish to sincerely thank the many people in Japan and abroad throughout the Yamaha group and its affiliates, who tackled all types of reform over the past year.

Despite the continuation of difficult economic conditions in Japan last year, we also witnessed a number of important developments in our operating environment whose sheer speed warranted particularly close attention. These included the first concrete moves to restore confidence in the financial system, Internet penetration reaching critical mass, and the inroads made by e-business. On top of this, it was a year in which a series of incidents and mishaps led to the exposure of Japan's "safety myth," and it also proved to be an extremely harsh year for Yamaha as well.

Yamaha Corporation's greatest management challenge over the last one or two years was the rebuilding of the Electronic Devices Group. As a result, the Semiconductor Division underwent a major restructuring exercise which included the sale of the Tenryu semiconductor factory. For storage magnetic heads, the decision was made to withdraw from the business. A special early retirement scheme was also implemented, while a radical reform of the management structure of certain major Group companies was put into place. On the other hand, I believe we achieved significant advances in profitability in our core Musical Instrument Group and Audio Video Information Technology Group through measures which included improved operating efficiencies, strengthened product development capabilities and bringing several overseas manufacturing facilities on-stream.

Targeting New Growth Areas

This year is the actual final year of the 20th century, as we face the dawn of the new millennium. The Y2K computer bug and other issues have meant a slightly more turbulent New Year's period than usual. In Japan, radical reform of the accounting system has ushered in an era of truly consolidated accounts-based management. The borderless nature of firms' activities is also gaining momentum. Added to this is the "network society," epitomized by the Internet, which creates an abundance of business opportunities and risks, and which shows continued signs of spreading at breathtaking speed.

The crucial management issue facing us at present is how the future vision for the Yamaha Group should be shaped. In other words, in targeting new growth areas, which fields should we choose and where should we concentrate our business resources? Yamaha's strengths lie in the sound and music related fields, covering all of the three spheres of hardware, software and content. Catering to the huge potential market offered by the network era will center on the Internet, and we need to create a new business model that integrates these strengths. It is critical that we develop this as the core of our growth strategy. I believe this represents a significant business opportunity. In order to advance this goal, we have launched, as of today, the Digital Media Business Strategy Committee, and also the Digital Media Business Planning Division, which will be the body responsible for formulating concrete plans and programs.

Returning to Profitability as the Overriding Proposition

This year should be, above all, a time to solidify our launching pad into the 21st century. I want to make it "the year of our first step on the road to rebuilding Yamaha." Consequently, the overriding proposition we will face during our next fiscal year from April 2000 through March 2001 is a return to profitability on both a consolidated and non-consolidated basis.

I ask all of you at operating divisions within Yamaha Corporation, as well as people at Yamaha Group companies to work steadily towards the goals contained in the 1999-2000 Medium-Term Business Plan formulated at the end of last year and your operating budgets for the next fiscal term. In particular, we are depending on the core Musical Instrument Group and Audio Video Information Technology Group to improve our profit-generating capabilities. These products are the foundations supporting the Yamaha brand. But I also look forward to growth across all of our businesses.

Further strengthening of the yen is expected during this year, and a concentrated effort will be necessary to respond to this scenario. The Semiconductor Division has worked to focus its product development efforts on sound-related applications, and since the viability of this business is now in sight, we must work to consolidate these gains. Unfortunately, in the Storage Magnetic Heads Division, from which we must unavoidably withdraw, I must ask everyone to expend their utmost efforts to ensure that customer needs are fully satisfied right up to the very end.

The Golf, Automotive Interior Fittings and Robot Divisions are also facing difficult conditions. However I am confident they will do everything possible to make sure that their planning targets are achieved, in order to contribute to the entire Company's business performance. Yamaha Livingtec Corporation and Yamaha Resort Corporation last year also carried out successful structural reforms, and this year I believe both companies are well positioned to make positive contributions to our consolidated financial results. For Yamaha Metanix Corporation, we hope to see its current solid performance maintained during its first year in the invar materials business.

The Technology Group has come up with the slogan "Create Our Network Future!" under which it will shoulder responsibility for formulating growth strategies for the entire Company, as well as guide efforts in the Digital Media Business Strategy project. I urge this Division to work strenuously towards seeing several new business initiatives reach fruition. The Administration Group is presently implementing important operational reforms, aiming to put in place a streamlined headquarters and strengthened strategic function. By utilizing outsourcing and integrating the organization with its functions, I wish to match human resources to the Company's business scale, and thus give us an effective fighting force with which we will compete.

The Key Word Is "Speed"

Lastly, I would like to convey my resolution for the year and make a request to all of you. As mentioned above, we are now moving into an era in which speed of execution will be one of the crucial requirements of management in dealing with changes in the operating environment. Since I will make it my personal mission to raise my own management execution speed, I want to ask each one of you to constantly ask yourself how you can increase speed as you take on your daily working tasks. Therefore my suggested theme for everyone this year is a simple one of "speed." Let us make this a year in which we build a bridge to the 21st century and a bright future by pooling the collective energy of the Group. We should aim to meet the challenge of "building a revitalized Yamaha."

For each of you and your families, I hope this year will be a good one. To help make this a reality I ask you to pay special attention to maintaining your health and safety in the workplace.

Kazukiyo Ishimura
President

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